

CROMAINE DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
the Cromaine District Library  
Hartland, Michigan

We have audited the accompanying financial statements of the Cromaine District Library as of and for the year ended June 30, 2008, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cromaine District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cromaine District Library, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparisons of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees of  
the Cromaine District Library  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cromaine District Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Bredent, Wagner & Co, P.C.*

Howell, Michigan  
October 7, 2008

**CROMAINE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FISCAL YEAR 2007-2008 (unaudited)**

Using this annual report

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include information that presents two different views of the Library's financial status.

- The first column of the financial statements includes information on the Library's General fund under the modified accrual method. These Fund Financial Statements focus on the current financial resources and provide a more detailed view about the accountability of the library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government-wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## Condensed financial information

|  | June 30, 2008 | June 30, 2007 |
|--|---------------|---------------|
| Current assets                             | \$ 2,351,578  | \$ 2,034,755  |
| Capital assets                             | 2,124,215     | 2,155,485     |
| Total assets                               | \$ 4,475,793  | \$ 4,190,240  |
| Current liabilities                        | \$ 45,945     | \$ 55,073     |
| Long-term liabilities                      | 53,805        | 55,648        |
| Total liabilities                          | \$ 99,750     | \$ 110,721    |
| Net assets:                                |               |               |
| Invested in capital assets,<br>net of debt | \$ 2,070,410  | \$ 2,099,837  |
| Unrestricted                               | 2,305,633     | 1,979,682     |
| Total net assets                           | \$ 4,376,043  | \$ 4,079,519  |
| Revenue:                                   |               |               |
| Property taxes                             | \$ 1,842,459  | \$ 1,794,302  |
| Other                                      | 218,037       | 196,628       |
| Total revenue                              | \$ 2,060,496  | \$ 1,990,930  |
| Expenses - Library services                | \$ 1,763,972  | \$ 1,642,916  |
| Change in net assets                       | \$ 296,524    | \$ 348,014    |

The Library as a whole

Review of the statements for fiscal year 2007-2008 indicates a healthy financial picture with revenue in excess of expenditures and an increase in total net assets. Property taxes increased; other revenue for 2007-2008 also increased, including investment income and fines and forfeitures, and also including a new revenue source—the substantial grant received from the National Endowment for the Arts (shown in a new line of the Statement of Governmental Revenue as "Grants").

Overall, however, nearly every expenditure line increased. In the end, the budgetary comparison schedule shows that despite these increases, the variance between the final amended budget and the actual balances resulted in excess revenue over expenditures of \$325,951. Some substantially lowered expenditures were seen in Capital outlay (\$42,079 from the final amended budget of \$108,602) due to the inability to complete our Village renovation project until an appropriate time to permit

closure of the building which moved completion to fiscal year 2008-2009; this cost will be seen in the 2008-2009 fiscal year. Another lowered expenditure was in the Library books and materials line (\$6,921), an unfortunate "savings" since this also means that Cromaine patrons did not receive as many new materials as they would likely choose to have.

Looking ahead to fiscal year 2008-2009, the administration and Trustees are keenly aware that tax revenue may decline. Area townships are experiencing repeated hearings to lower taxable value and some of the six townships Cromaine serves are, indeed, lowering taxable values and refunding taxes. There is also an increase in delinquent taxes due to homes being foreclosed without likely imminent sales. State aid will not increase, continuing its decline as a reliable revenue source. Investment income which provided a favorable variance in 2007-2008 is unlikely to be more than anticipated in 2008-2009. Despite these concerns, however, construction has continued on major commercial development which may provide a new tax base for Cromaine.

Several measures have been taken in the 2008-2009 fiscal year to address declining revenue, including contingency amounts in salaries and fringe benefits, reduced library books and materials budget, and reduction in technology and capital outlay lines. The Cromaine management team persistently seeks and negotiates new, lower rates whenever possible on controllable expenditures. One step to address rising health insurance costs is the implementation in calendar year beginning January 1, 2009, of a health reimbursement arrangement which should save Cromaine an unanticipated \$6,000 in 2008-2009 as well as increased savings in the following year.

Projections of growth for this area continue to be very positive, despite current economic conditions. The major retailers investing in new developments, do so only after a great amount of research and assurance that there will be profit in these locations. Based on that, Cromaine will continue to plan for expansion in services and the groundwork for a renewal and reinstatement of the 1.6 operating millage as well as funding for renovation of the nearly 30-year-old addition and much older original building as well as expansion of the facility in the settlement district/village begins in earnest spring 2009.

### The Library's fund

The analysis of the General Fund is included in the Statement of Net Assets and Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities.

The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short-term perspective measuring the flow of financial resources - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. In 2007-2008, the Library's only fund is the General Fund.

The net assets of the General; Fund increased during the years ended June 30, 2008 and June 30, 2007 by \$296,524 and \$348,014 respectively. This represents unspent revenue greater than expenses.

### Capital assets and debt administration

As of June 30, 2008 and June 30, 2007, the Library had \$2,124,215 and \$2,155,485, respectively, invested in land, building, furniture and equipment, and books and materials. During the years ended June 30, 2008 and June 30, 2007, the Library added \$176,579 and \$174,170, respectively, in new collection items consisting of new books, various audio/video materials, and enhancement of the music collection.

The Library's debt rating is excellent. No new debt was issued during the year ended June 30, 2008. The Library's bonded indebtedness totaled \$36,208 and \$41,381 at June 30, 2008 and June 30, 2007, respectively.

CROMAINE DISTRICT LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

|   | General Fund,<br>Modified<br>Accrual Basis | Adjustments<br>(Note 8) | Statement of<br>Net Assets |
|---|--|-------------------------|----------------------------|
| <b>Assets</b>                               |  |                         |                            |
| Cash and investments (Note 3)               | \$ 2,307,633                               | -                       | 2,307,633                  |
| Accrued interest                            | 26,269                                     | -                       | 26,269                     |
| Accounts receivable                         | 8,102                                      | -                       | 8,102                      |
| Prepaid expense                             | 5,276                                      | -                       | 5,276                      |
| Deposits                                    | 4,298                                      | -                       | 4,298                      |
| Property and equipment (Note 4)             | -  | 2,124,215               | 2,124,215                  |
| <b>Total Assets</b>                         | <b>\$ 2,351,578</b>                        | <b>2,124,215</b>        | <b>4,475,793</b>           |
| <b>Liabilities</b>                          |  |                         |                            |
| Accounts payable and accrued liabilities    | \$ 44,726                                  | -                       | 44,726                     |
| Due to other governmental units             | 1,219                                      | -                       | 1,219                      |
| Long term liabilities:                      |  |                         |                            |
| Bonds payable, due within one year (Note 5) | -  | 5,173                   | 5,173                      |
| Bonds payable, due after one year (Note 5)  | -  | 31,035                  | 31,035                     |
| Accumulated employee benefits               | -  | 17,597                  | 17,597                     |
| <b>Total Liabilities</b>                    | <b>45,945</b>                              | <b>53,805</b>           | <b>99,750</b>              |
| <b>Fund Balance/Net Assets</b>              |  |                         |                            |
| Fund balances - Unreserved:                 |  |                         |                            |
| Board Designated                            | 817,473                                    | (817,473)               | -                          |
| Undesignated                                | 1,488,160                                  | (1,488,160)             | -                          |
| <b>Total Fund Balance</b>                   | <b>2,305,633</b>                           | <b>(2,305,633)</b>      | <b>-</b>                   |
| <b>Total Liabilities and Fund Balance</b>   | <b>\$ 2,351,578</b>                        |                         |                            |
| <b>Net assets:</b>                          |  |                         |                            |
| Invested in capital assets, net of debt     |  | 2,070,410               | 2,070,410                  |
| Unrestricted                                |  | 2,305,633               | 2,305,633                  |
| <b>Total net assets</b>                     | <b>\$</b>                                  | <b>4,376,043</b>        | <b>4,376,043</b>           |

The notes to financial statements are an integral part of this statement.



CROMAINE DISTRICT LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUE,  
EXPENDITURES, AND CHANGES IN  
FUND BALANCE / STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

|   | General Fund,<br>Modified<br>Accrual Basis | Adjustments<br>(Note 8) | Statement of<br>Activities |
|---|--|-------------------------|----------------------------|
| Revenue   |  |                         |                            |
| Property taxes  | \$ 1,842,459                               | -                       | 1,842,459                  |
| State aid   | 16,114                                     | -                       | 16,114                     |
| Charges for services  | 5,930                                      | -                       | 5,930                      |
| Investment income   | 74,958                                     | -                       | 74,958                     |
| Contributions   | 6,622                                      | -                       | 6,622                      |
| Fines and forfeitures   | 97,033                                     | -                       | 97,033                     |
| Grants  | 17,380                                     | -                       | 17,380                     |
| Total Revenues  | <u>2,060,496</u>                           | <u>-</u>                | <u>2,060,496</u>           |
| Expenditures  |  |                         |                            |
| Administrative  | 18,300                                     |                         | 18,300                     |
| Salaries and fringe benefits  | 1,100,313                                  | 3,330                   | 1,103,643                  |
| Supplies  | 40,162                                     | -                       | 40,162                     |
| Community relations   | 53,504                                     | -                       | 53,504                     |
| Library books and materials   | 176,579                                    | (176,579)               | -                          |
| Professional and contractual services   | 55,721                                     | -                       | 55,721                     |
| Technology  | 32,638                                     | -                       | 32,638                     |
| Training and education  | 15,023                                     | -                       | 15,023                     |
| Insurance   | 16,321                                     | -                       | 16,321                     |
| Utilities   | 72,874                                     | -                       | 72,874                     |
| Rental  | 77,223                                     | -                       | 77,223                     |
| Repairs and maintenance   | 27,600                                     | -                       | 27,600                     |
| Capital outlay, non-capitalizable   | 3,805                                      | -                       | 3,805                      |
| Capital outlay  | 38,274                                     | (38,274)                | -                          |
| Depreciation  | -  | 246,123                 | 246,123                    |
| Debt service:   |  |                         |                            |
| Principal   | 5,173                                      | (5,173)                 | -                          |
| Interest  | 1,035                                      | -                       | 1,035                      |
| Total Expenditures  | <u>1,734,545</u>                           | <u>29,427</u>           | <u>1,763,972</u>           |
| Excess (Deficiency) of Revenues Over (Under)<br>Expenditures/Change in Net Assets | 325,951                                    | (29,427)                | 296,524                    |
| Fund Balance/Net Assets - Beginning of year                                       | <u>1,979,682</u>                           | <u>2,099,837</u>        | <u>4,079,519</u>           |
| Fund Balance/Net Assets - End of year   | <u>\$ 2,305,633</u>                        | <u>2,070,410</u>        | <u>4,376,043</u>           |

The notes to financial statements are an integral part of this statement.

## NOTES TO COMBINED FINANCIAL STATEMENTS

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

## Description of Cromaine District Library Operations:

The Cromaine District Library was organized in 1995 under the provisions of the Michigan District Library Establishment Act, Public Acts 24 of 1989. The Library serves the Hartland Consolidated School District, which includes Hartland township and portions of Tyrone, Deerfield, Brighton, Genoa and Oceola townships. The Library is governed by a seven member board of trustees elected at large from the Hartland Consolidated School District.

## Definition of the reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, these financial statements present the Cromaine District Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, the Library has no component units.

## Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

## Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposed into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded in one fund as follows:

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION (Concluded)

## Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cromaïne District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

## Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Cromaïne District Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the fiscal period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Major revenue sources susceptible to accrual include: taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when the cash is received.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on demand deposits and short-term investments with a maturity of three months or less when acquired.

## Investments:

Investments are stated at cost. Interest earned is recorded as revenue when the investment matures or when credited, by the financial institution, to the interest bearing account.

## Compensated absences (vacation and sick leave):

Full-time Library employees earn vacation time in various amounts based on length of service. Sick leave is earned by full-time employees at a rate of 1 day per month of service. Upon separation, employees will be paid for the accumulated vacation time. Vacation accrued as of June 30, is recorded as a liability and expenditure in the General Fund. No payment is made for unused, accumulated sick leave upon separation. Therefore, no liability is accrued for accumulated sick leave.

## Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2007 State equalized valuation of the Library totaled \$1,547,190,182. The State taxable valuation of the Library totaled \$1,229,982,876 on which ad valorem taxes levied consisted of 1.50241 mills raising \$1,842,459 for operating purposes.

## Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                             |             |
|-----------------------------|-------------|
| Buildings                   | 20-40 years |
| Furniture and equipment     | 5-10 years  |
| Improvements                | 10-20 years |
| Library books and materials | 3-10 years  |

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

## Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Budgets and budgetary accounting:

The budget of the General Fund is legally adopted through a Board resolution prior to the beginning of the budgetary year. During the year, the Library Board amended the budget to take into account events that occurred during the year. The encumbrance method of budgeting is not used. Any unexpended appropriations lapse at year end.

Formal budgetary integration is employed as a management control device for the General Fund. Budgets are prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles.

## Note 3. CASH AND CASH INVESTMENTS:

At June 30, 2008, the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

|  |                    |
|--|--------------------|
| Bank deposits (checking accounts,<br>money market accounts and certificates<br>of deposit) | \$2,307,433        |
| Petty cash   | <u>200</u>         |
| Total  | <u>\$2,307,633</u> |

DEPOSITS

Deposits are carried at cost. The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The total deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$2,400,320. The entire amount was covered by federal depository insurance and other insurance of the investment company.

## Note 3. CASH AND CASH INVESTMENTS (Concluded)

INVESTMENTS

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of non-pension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds and bank investment pools that are composed of authorized investment vehicles.

## Note 4. PROPERTY AND EQUIPMENT

A summary of changes in property and equipment follows:

|                             | <u>July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>June 30, 2008</u> |
|-----------------------------|---------------------|------------------|------------------|----------------------------------|
| Land/site development \$    | 338,813             | -                | -                | 338,813                          |
| Building                    | 1,481,177           | -                | -                | 1,481,177                        |
| Building improvements       | 28,567              | 7,290            | -                | 35,857                           |
| Computers                   | 313,549             | 17,109           | -                | 330,658                          |
| Equipment                   | 185,670             | 13,875           | -                | 199,545                          |
| Library books and materials | <u>1,607,713</u>    | <u>176,579</u>   | <u>(59,759)</u>  | <u>1,724,533</u>                 |
| Total                       | 3,955,489           | 214,853          | (59,759)         | 4,110,583                        |
| Accumulated depreciation    | <u>(1,800,004)</u>  | <u>(246,123)</u> | <u>59,759</u>    | <u>(1,986,368)</u>               |
| Net Book Value \$           | <u>2,155,485</u>    | <u>(31,270)</u>  | <u>-</u>         | <u>2,124,215</u>                 |

## NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

## Note 5. LONG-TERM DEBT

The following is a summary of the debt outstanding of the Library for the year ended June 30, 2008:

|  | Balance<br>July 1,<br><u>2007</u> | Additions<br>(Deductions) | Balance<br>June 30,<br><u>2008</u> |
|--|-----------------------------------|---------------------------|------------------------------------|
| Hartland Township Sewer Bond,<br>Annual principal payments of<br>\$4,223 plus interest at 2.5%<br>until 2015 | \$33,781                          | (4,223)                   | 29,558                             |
| Hartland Township Sewer Bond,<br>Annual principal payments of<br>\$950 plus interest at 2.5%<br>until 2015   | <u>7,600</u>                      | <u>(950)</u>              | <u>6,650</u>                       |
|  | <u>\$41,381</u>                   | <u>(5,173)</u>            | <u>36,208</u>                      |

The annual requirements to amortize all debt outstanding as of June 30, 2008, (plus interest payments of approximately \$4,600) are as follows:

| Year Ended<br><u>June 30,</u> |                 |
|-------------------------------|-----------------|
| 2009                          | \$ 5,173        |
| 2010                          | 5,173           |
| 2011                          | 5,173           |
| 2012                          | 5,173           |
| 2013                          | 5,173           |
| 2014-2015                     | <u>10,343</u>   |
|                               | <u>\$36,208</u> |

## Note 6. PENSION PLANS

## A. Defined Contribution Retirement Plan

Plan Description. The Cromaine District Library Defined Contribution Retirement Plan is a defined contribution pension plan established in accordance with Internal Revenue Code section 403(b). All full time employees are eligible to participate in the plan after six months of service. The plan is administered by the Library. The Library contributes 10% of compensation for eligible employees. During the year ended June 30, 2008 the employer

## Note 6. PENSION PLANS (Concluded)

made contributions totaling \$43,901. Contributions are recognized in the period that the contributions are due.

## B. Tax-Deferred Annuity Plan

The Cromaine District Library Tax-Deferred Annuity Plan is a defined contribution plan established in accordance with Internal Revenue Code section 403(b). All full time employees are eligible to participate. Contributions are made through salary reductions as elected by the employee. All contributions are fully and immediately vested. During the year ended June 30, 2008, employees made contributions totaling \$35,622.

## Note 7. RISK MANAGEMENT

The Cromaine District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and worker's compensation benefit provided to employees. The library has purchased commercial insurance for medical benefit claims, settled claims for which have not exceeded the amount of insurance coverage in any of the past three years.

The Library is a member of the Michigan Municipal League Liability and Property Pool which provides members with loss protection for general liability and property and crime coverage. The pool has entered into reinsurance agreements providing for loss coverage in excess of the amounts retained by the pool and individual members. The Library's coverage on general liability and public officials' liability is \$5,000,000, with a combined liability of 5,000,000. The Library's coverage on property and crime is as follows: \$5,335,972 for buildings and personal property contents thereof, \$100,000 for each of the following: valuable records and papers, loss of rents, accounts receivable, loss of income, extra expense. There is also employee dishonesty coverage, money orders and counterfeit paper coverage, depositors forgery coverage and loss coverage for both inside and outside premises in the amount of \$100,000 for each. Any liability for losses which exceed these amounts would remain with the Library.

The Library is also a member of the Michigan Municipal League Workers Compensation Fund. Premiums from participants are combined to provide all members with coverage for claims. The premiums and interest thereon are used to pay claims, administrative expenses and to purchase reinsurance to protect the fund from exceptionally large losses. In the event of a deficit in a fund year, assessments could be made against the members. No such assessments have been made against the Library.



Note 8. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets:

|   |             |
|---|-------------|
| Total Fund Balance - Modified Accrual Basis | \$2,305,633 |
|---|-------------|

Amounts reported in the statement of net assets are different because:

|   |           |
|---|-----------|
| Capital assets are not financial resources, and are not reported in the funds | 2,124,215 |
|---|-----------|

|  |          |
|--|----------|
| Long-term liabilities are not financial resources, and are not reported in the funds | (36,208) |
|--|----------|

|  |                 |
|--|-----------------|
| Compensated absences are included as a liability | <u>(17,597)</u> |
|--|-----------------|

|   |                    |
|---|--------------------|
| Net Assets of General Fund - Full Accrual Basis | <u>\$4,376,043</u> |
|---|--------------------|

|  |            |
|--|------------|
| Net Change in Fund Balances - Modified Accrual Basis | \$ 325,951 |
|--|------------|

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in statement of revenue, expenditures, and changes in fund balance, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

|                             |           |
|-----------------------------|-----------|
| Library books and materials | 176,579   |
| Capital outlay              | 38,274    |
| Depreciation                | (246,123) |

|  |         |
|--|---------|
| Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements | (3,330) |
|--|---------|

## NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

## Note 8. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)

5,173

Change in Net Assets of General Fund -  
Full Accrual Basis

\$296,524

## Note 9. LEASE COMMITMENTS AND TOTAL RENTAL EXPENSE

To gain the space needed for an additional branch location, the Library entered into an operating lease agreement on February 1, 2005. Total rental expense for the year ended June 30, 2008 was \$77,223. This lease expires September 30, 2008.

The following is a summary of future annual lease payments:

Year Ended  
June 30,

2009

\$17,667

CROMAINE DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2008

|                                       | Original<br>Budget  | Final<br>Amended<br>Budget | Actual<br>Balances | Variance<br>Favorable<br>(Unfavorable) |
|---------------------------------------|---------------------|----------------------------|--------------------|--|
| Revenue                               |                     |                            |                    |  |
| Property taxes                        | \$ 1,856,504        | 1,856,504                  | 1,842,459          | (14,045)                               |
| State aid                             | 7,800               | 7,800                      | 16,114             | 8,314                                  |
| Charges for services                  | 6,400               | 6,400                      | 5,930              | (470)                                  |
| Investment income                     | 70,300              | 70,300                     | 74,958             | 4,658                                  |
| Contributions                         | 4,250               | 4,250                      | 6,622              | 2,372                                  |
| Fines and forfeitures                 | 88,500              | 88,500                     | 97,033             | 8,533                                  |
| Grants                                | -                   | 17,400                     | 17,380             | (20)                                   |
| Total Revenues                        | <u>2,033,754</u>    | <u>2,051,154</u>           | <u>2,060,496</u>   | <u>9,342</u>                           |
| Expenditures                          |                     |                            |                    |  |
| Administrative                        | 13,810              | 18,810                     | 18,300             | 510                                    |
| Salaries and fringe benefits          | 1,141,598           | 1,141,598                  | 1,100,313          | 41,285                                 |
| Supplies                              | 38,600              | 43,600                     | 40,162             | 3,438                                  |
| Community relations                   | 63,100              | 68,100                     | 53,504             | 14,596                                 |
| Library books and materials           | 183,500             | 183,500                    | 176,579            | 6,921                                  |
| Professional and contractual services | 54,325              | 73,825                     | 55,721             | 18,104                                 |
| Technology                            | 37,410              | 37,410                     | 32,638             | 4,772                                  |
| Training and education                | 18,860              | 18,860                     | 15,023             | 3,837                                  |
| Insurance                             | 16,500              | 16,500                     | 16,321             | 179                                    |
| Utilities                             | 67,200              | 74,200                     | 72,874             | 1,326                                  |
| Rental                                | 78,276              | 78,276                     | 77,223             | 1,053                                  |
| Repairs and maintenance               | 44,350              | 44,350                     | 27,600             | 16,750                                 |
| Capital outlay                        | 108,602             | 108,602                    | 42,079             | 66,523                                 |
| Debt service                          | 6,057               | 6,257                      | 6,208              | 49                                     |
| Total Expenditures                    | <u>1,872,188</u>    | <u>1,913,888</u>           | <u>1,734,545</u>   | <u>179,343</u>                         |
| Excess of Revenues Over Expenditures  | 161,566             | 137,266                    | 325,951            | 188,685                                |
| Fund Balance - Beginning of year      | <u>1,979,682</u>    | <u>1,979,682</u>           | <u>1,979,682</u>   | <u>-</u>                               |
| Fund Balance - End of year            | <u>\$ 2,141,248</u> | <u>2,116,948</u>           | <u>2,305,633</u>   | <u>188,685</u>                         |